

Annual Report 1976 Walt Disney Productions



THE ROY O. DISNEY MARKETING BUILDING
An important step forward during fiscal 1976, was the completion of the Studio's new 86,000-square foot Roy O. Disney Marketing Building—a world headquarters bringing together for the first time all of the Company's marketing activities. Centralized in this new facility are such functions as domestic and international film distribution, motion picture and television publicity, character merchandising, publishing, music and record marketing and the Walt Disney Educational Media Company. Here, too, will be a permanent home for the Walt Disney Archives and the Studio's expanded printing department.



THE ROY O. DISNEY BUILDING

Is a tribute to the life and works of Roy O. Disney, President, Chairman of the Board, Chief Executive Officer.

With his brother Walt, he founded

Walt Disney Productions in 1923...and for half a century thereafter, his creative financial leadership helped make Walt's dreams come true.

The spirit and strength of this man, his devotion to his brother, his family, and to talent, honesty and integrity will always stand as a model for those who follow after.

(Wording of dedication plaque dated September 22, 1976)

DEDICATION: Card Walker, Mrs. Roy O. Disney, Mrs. Lillian Disney Tryvens, Donn Tatum, other members of the Disney family, employees and friends joined in dedicating the new Roy O. Disney Marketing Building



1976: Year of Transition

A Report by E. Cardon Walker, President

1976, the Bicentennial year which we celebrated in our own theme parks with "America on Parade," has been a time for our nation to reflect upon past achievements and to plan for the future. In a sense, it has been the same kind of year for us here at Walt Disney Productions.

In September, we completed our ninth consecutive record year, with net income up 21%, and in dedicating the new Roy O. Disney Marketing Building (shown on the opposite page), we took time to reflect upon the tremendous heritage of family entertainment upon which our Company is building today.

Perhaps above all, 1976 was a year of transition for Walt Disney Productions—a year in which an immense effort was concentrated on planning for future projects which will challenge the Company's creative leadership well into the 1980's.

The greatest of these is represented in the second phase of development at Walt Disney World—our dedication to the realization of EPCOT, the Experimental Prototype Community of Tomorrow, of which the permanent international exposition known as The World Showcase is a major part.

Expressed in one sentence, our philosophy for EPCOT is this: "EPCOT is designed to respond to the needs of people by providing an international forum where creative men and women of science, industry, government and the arts can develop, demonstrate and communicate prototype concepts, new systems and technologies, and their applications in creating better ways of life."

Now if that sounds like a mouthful of idealism, let me first say that we are idealists. But we have a track record for achieving our dreams because we are goal oriented. We have already established four major objectives in order to bring EPCOT to reality:

First, we want EPCOT to be a demonstration and proving ground for prototype concepts...constantly testing and demonstrating practical applications of new concepts in oceanography, space, energy, agriculture, transporta-

tion, health, communications and the arts—ideas and emerging technologies from creative centers around the world.

Second, we want EPCOT to provide an ongoing "Forum of the Future" where the best creative thinking of industry, government and academia is exchanged regarding practical solutions to the real needs of mankind.

Third, we want EPCOT to be a "communicator to the world" utilizing the growing spectrum of information transfer to bring new knowledge in the most effective ways to the world community.

And last and possibly most important

tives of 31 nations of the world, opening doors from Manila to Moscow. In Mexico City, I personally had the honor of presenting our World Showcase concepts to two Presidents of Mexico, "then" President Echeverria and "now" President Jose Lopez Portillo. Donn Tatum and other members of our Disney team have introduced World Showcase to Kings, Queens, Ambassadors, Foreign Ministers, and industry leaders around the world. As we go to press, our marketing staff is continuing to pursue these contacts and already negotiating specific contracts with more than half a dozen nations.



THE WORLD SHOWCASE: In October, His Excellency Ardashir Zahedi, Ambassador of Iran, visited WED Enterprises to view concepts for an Iranian World Showcase pavilion. The Disney marketing team has now presented the Company's idea for a permanent international exposition to 31 nations of the world.

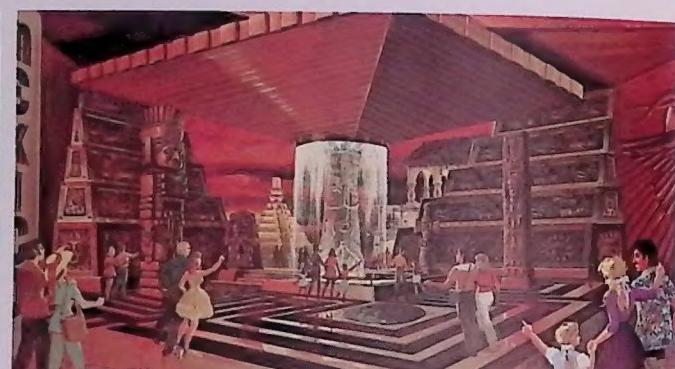
of all, we want EPCOT to be a permanent, international people-to-people exchange, advancing the cause of world understanding among its citizens.

During the past year, we have been "testing the market" for our concepts for EPCOT and the World Showcase. We have presented our idea for a permanent international exposition—the World Showcase—to representa-

In a number of cases, our creative staff at WED Enterprises has developed a complete pavilion concept for major nations. Each of these pavilions includes a high-capacity show-attraction, a restaurant serving food unique to the individual nation, a shopping "street" featuring the country's distinctive merchandise, and an area where travel to the country and products of the country can be presented and pro-



A GERMAN PAVILION: World Showcase concepts presented to potential German sponsors include this German Rivers Cruise.



WORLD SHOWCASE PROPOSALS. Among the many renderings and models developed for potential participating nations are these concepts for Venezuela (top, left), Mexico (top, right) and Japan.



moted. Our German pavilion (pictured on the opposite page) is a good example. It includes a German Rivers Cruise comparable to a "Small World" attraction in our parks, a Beer Garden Restaurant which we are offering for sponsorship by German beer companies, and a spacious area that can be divided up in many different ways to promote the products of participating German companies—airlines, automobiles, cameras, etc. In effect, we want our guests to leave each World Showcase pavilion with the feeling of having "been there" for a brief visit to the participating countries.

By the time you receive this Annual Report, we will be ready, for the first time, to present our concept for the key pavilion in World Showcase—the American pavilion. It is our intent to offer this attraction for sponsorship by one or more leading American companies. Preliminary meetings to present the World Showcase concept in general have already taken place; now it is our intent to present a specific—and I might add "stupendous"—show for sponsorship by American free enterprise. We have a top art director and writing talent assigned exclusively to this most exciting project, which we believe will fulfill our objective as "worth the price of admission" to World Showcase just to see this one show.

But as enthusiastic as the reception to World Showcase has been, the response from industry, business and government leaders toward EPCOT has been equally exciting. On October 5th, for example, I had the pleasure of delivering a keynote address before the 40th Anniversary Convocation of the Urban Land Institute. The institute draws its membership from more than 6,000

organizations and individuals in the United States, Canada and some 50 countries, drawn together to facilitate the enhancement, protection and responsible development of land. My 45-minute talk about the Master Planning of Walt Disney World was received with great enthusiasm; most of it directed not to what many already knew (the entertainment and recreation values of Walt Disney World), but toward the future development of EPCOT and the World Showcase.

The enthusiastic response we received from the delegates attending the Urban Land Institute Convocation, and the encouragement we had been given throughout the year by representatives of such major American corporations as IBM, General Motors, Sperry-Univac, Standard Oil of Indiana, Lockheed, Exxon, General Electric, Borden's, Coca Cola and Westinghouse, has caused us to re-think our priorities with regard to the entire EPCOT/World Showcase development.

It had always been our plan to begin the development with the World Showcase. But as a result of the enthusiastic response we have received from leaders of industry, government and the academic community throughout the past year, I have asked our creative staff at WED Enterprises to consider a way that would enable us to construct portions of the World Showcase and other major elements of EPCOT simultaneously.

This effort is now underway, but I am pleased to report that the concept already emerging as I write this letter holds even more promise and potential than our previous thinking. What we are achieving is the creation of one major "EPCOT Center" with two major themes or "lands": first, the World Showcase and second, the "Future World." In this approach, guests would arrive at one "main entrance," purchase their tickets, pass through and enjoy their visits to the pavilions of the World Showcase, and climax their visit in the Future World.

In effect, to draw an analogy with Disneyland and the Magic Kingdom at Walt Disney World, the World Showcase becomes the "main street" corridor leading us into and out of the Future World. Two parallel and extremely compatible themes emerge within this

EPCOT Center: first, the World Showcase, relating the culture, traditions, tourism and trade of "*Man and His World Today*"; and second, the Future World, built around the theme, "*Man and His World Tomorrow*".

While we have written extensively about the potential of countries participating in World Showcase, we have not commented as widely about the opportunities for industry participation in the "Future World" area. However, an historical review of all "world's fair" developments, from Philadelphia's Centennial Exhibition of 1876 to the New York World's Fair of 1964-65 or the Japanese Fair at Osaka in 1970, clearly reveals that the cornerstone of these developments has always been the participation of industry and presentation of the marvels business enterprise has produced—from the steam engine to the computer. Our experience in both Disney parks has been similar: Disney-style entertainment provides a background for the effective presentations of many American companies—RCA, Goodyear, Gulf Oil, Bank of America, McDonnell-Douglas, Eastern Air Lines, Monsanto and many, many more—more than 30 companies in each of our parks today.

While it is premature to detail all the presentations in this Future World area, we are well along in the development of a major theme show about man and his spaceship earth, and man's great potential for the future. Having passed through this dramatic introduction—a moving experience combining a one-of-a-kind theatre with film and automated techniques—guests would "go out" into the Future World where they would experience and learn about the future of energy, health and medicine, oceanography, space, agriculture and nutrition, communications, transportation and other subjects. These shows and exhibits would be offered for sponsorship by participating companies. A strong unifying theme throughout will emphasize the values of the American free enterprise system in achieving the exciting "Future World" portrayed.

Thus, by bringing together our "World Today" and "Future World" concepts into one major EPCOT Center, we can increase our initial sales potential to sponsors (countries and companies).



THE EPCOT CENTER: Marty Sklar, John Hench and John DeCuir of WED Enterprises (top) discuss the emerging concept for the EPCOT Center combining the World Showcase and the EPCOT Future World Theme Center into a single major exposition themed to "Man and His World Today" and "Man and His World Tomorrow." Meanwhile, artist Herbert Ryman (above) completes a rendering of this new plan. Below are photographs of a story study model for the EPCOT Theme Show; the introductory presentation of the EPCOT Center.



place the beginning emphasis on achieving the most in the shortest time frame, create a permanent exposition for which a main gate admission will be charged, reduce substantially the capital investment which otherwise would have been required to construct transportation systems, utilities and service facilities to serve two separate attractions, guarantee substantially higher projections of attendance for the corporate sponsors of technology exhibits, and accomplish a design that will allow sufficient room for future growth in both parts of the EPCOT Center. That is what our designers at WED are working to accomplish right now, while our marketing team takes this highly appealing plan to potential sponsors.

This evolutionary creative process is natural to the development of any project at Walt Disney Productions. For example, it was "Plan 67" which was finally built at Disneyland, and it is "Plan 17" that you see at Walt Disney World today.

Concurrent with the design and marketing of the EPCOT Theme Center, our Company, under the leadership of former Astronaut L. Gordon Cooper, WED's Vice President—Research and Development for EPCOT, is moving

ahead with numerous programs designed to make EPCOT both a research center and a communicator of new technologies.

We are, for instance, in the final creative stages of developing a concept for an hour-long television special detailing America's alternatives in the field of energy.

In transportation, we are experimenting with the production of alcohol and the utilization of both alcohol and hydrogen as pollution-free fuels for existing Walt Disney World vehicles. One hydrogen system is based on conversion from alcohol in a reformer prior to injection into an internal combustion engine. Another involves the storage of cryogenic hydrogen as an onboard fuel. At this stage, we are interfacing with both the JPL Lab at Cal-Tech and with agencies of the State of California to investigate these alternative fuels.

We are engaged in the development and demonstration of electric battery-powered vehicles and are currently exploring this area with the Delco Division of General Motors, General Electric, International Lead Zinc Corporation and the Ford Motor Company, as well as UMTA and ERDA, the federal agencies charged with responsibility for transportation and energy. Our initial plans call for busses,

EPCOT RESEARCH: Guiding EPCOT's program of technological inquiry are former Astronaut L. Gordon Cooper, WED's Vice President—Research and Development for EPCOT; Richard Fox, Chairman, Technical Committee and Chief of EPCOT Projects; and Bill Williams, Managing Administrator. Among the many projects currently challenging the WED research team are the solar energy office addition to Walt Disney World's Central Energy Plant (right); the University of Arizona's experimental program in mariculture (above, left) and the EPCOT Future Technology Conferences, the first of which, dealing with agriculture and energy, was held last May (left).

utility and personal vehicles to be put into service for feasibility testing.

We are adapting a program that calls for the consumption of our waste vegetable oil in a blend with diesel fuel for a number of our existing vehicles, and we are designing and engineering advanced new transportation applications for our linear-induction system, which is now powering the WEDway PeopleMover through Walt Disney World's Tomorrowland.

However, our energy applications are not confined merely to transportation. Last June, in partnership with the Baltimore firm of AAI Corp., we entered into a contract with the Energy Research and Development Agency, ERDA, resulting in a federal grant for the experimental installation of solar roof panels in our Central Energy Plant's Solar Energy Office Addition. Three thousand square feet of parabolic-concentrating collectors will heat and air-condition about 10,000 cubic feet inside this two-story building, scheduled for service by early 1977.

As part of a "solar alternatives demonstration project" at the community of Lake Buena Vista, we are exploring with the Aeronutronic Division of Ford Motor Company a solar energy system utilizing a Stirling engine which would provide the total power requirements, including hot water, cooling and

electricity, for sixteen homes. Additional systems under consideration include photo-voltaic power and solar thermal.

Among the many new techniques in plant and food production now under consideration is the production of shrimp through intensified and advanced techniques of mariculture.

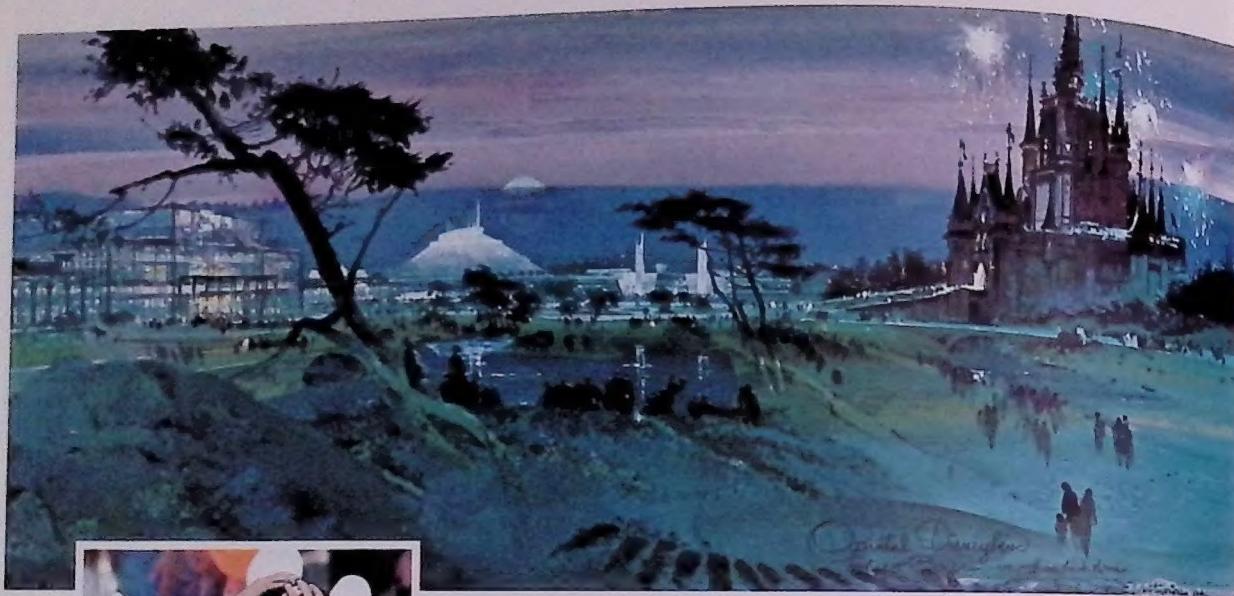
Through the University of Arizona, we are considering a plan to grow selected fresh vegetables for Walt Disney World on our own property through controlled environmental farming.

We are moving ahead with a program to use the water hyacinth as a living filter system to achieve tertiary treatment for sewage water. The hyacinth crop itself could then produce such by-products as methane gas, ethyl alcohol, fertilizer or even protein feed stock.

Like a number of other communities, we are investigating a program for the decomposition of trash, paper, plastics, food waste, sludge and other materials through pyrolytic or anaerobic digestion to create methane gas or other sulfur-free alternatives to fossil fuels.

To further our concept of EPCOT as an ongoing "forum of the future," we hosted at Walt Disney World last May the first "EPCOT Future Technology Conference," a two-day seminar focussing on world-problems in agriculture and energy.

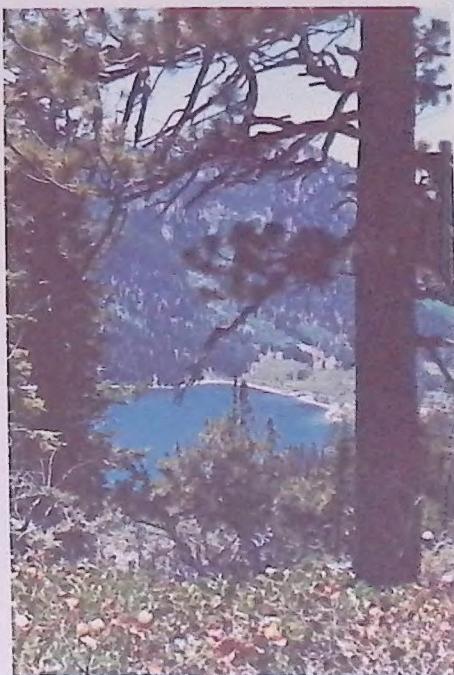
From this conference came the first



ORIENTAL DISNEYLAND: In October, a management team from the Mitsui group of companies (below) visited the United States to discuss the engineering and master planning of the Company's proposed Tokyo Bay theme park, an initial rendering of which is shown on the left.



INDEPENDENCE LAKE: During the year, work continued on the necessary environmental studies and master planning for this proposed year-round outdoor recreational destination resort.



EPCOT Advisory Committee, a distinguished team in the field of energy:

- Dr. Richard Balzhiser, Director for the Electric Power Research Institute
- Dr. Derik Gregory, Assistant Vice President, Institute of Gas Technology
- Dr. Roland Schmitt, Corporate Research and Development Manager, General Electric
- Mr. Joseph Gavin, President of the Grumman Corporation

All in all, this first EPCOT conference went far beyond our most optimistic expectations, and we have now scheduled a second major conference for next March on the subject of preventative health care. The conference will be co-hosted at Walt Disney World by the Johns Hopkins Medical Institutions.

In summary, during the past year, we have made both creative and practical

progress toward achieving our goal of making Walt Disney's concept for EPCOT a reality.

THE TOKYO BAY PROJECT

In July the Company announced that it had reached agreement with Mitsui Real Estate Development Co., Ltd. and Keisei Electric Railway Co., Ltd. in cooperation with Mitsui & Co., Ltd. on the fundamental business principles which would allow us to proceed with the second, or design, phase for a Disney-oriented amusement theme park to be located on a 600-acre peninsula bordering Tokyo Bay in Japan.

As of this writing, our engineering staff is preparing to present its recommendations on the preparation and development of the site, known as Oriental Land, and our "Imagineers" are at work selecting the shows and attractions for the theme park and designing the World Bazaar—a climatized center for international shopping and dining, which will also offer a wide variety of entertainment. In the near future, we expect to know which shows and attractions will be available on opening day, and we will be ready for the Japanese to begin approaching major corporations with regard to participation in the World Bazaar and sponsorship of specific attractions.

Our studies undeniably confirm that this magnificent two and one-half mile long lake is an ideal setting for the development of a year-round, family-oriented outdoor recreation resort.

Our limited partners, Southern Pacific Land Company and a subsidiary of the

Sierra Pacific Power Company, have made available some 9,500 acres of private land for the project, and have applied to the Forest Service for additional exchanges which would consolidate in private holding all of the lands on which base facilities for the project would be constructed.

All of the capital for the project will be provided by the Japanese interests. Upon completion of the current design phase, both Walt Disney Productions and the Japanese companies will have the right to withdraw from the project.

THE INDEPENDENCE LAKE PROJECT

During the past year, we completed the work necessary for our preliminary master plan and a formal Environmental Impact Statement for the Independence Lake project, which will be submitted to the United States Forest Service, county and state agencies for formal review in the near future.

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In November, the Forest Service notified our Company that if the review of our Environmental Impact Statement by the appropriate federal, state and county agencies is favorable to the project proceeding, they will process the land exchanges substantially as our partners have proposed.

We remain hopeful that these land exchanges will be completed and other necessary approvals obtained in time to begin construction by summer, 1978 for opening in the winter season of 1980.

From a current operating standpoint, I believe the Company during fiscal 1977 will offer perhaps the best lineup of motion picture product in our Company's history, although it will also be the highest negative cost we have ever had.

In September, we began a new firm five-year agreement with the NBC Television Network for the broadcast of

our Sunday Night anthology series, "The Wonderful World of Disney." Thirty-five competitive television series have come and gone on the opposing networks during our 16-year tenure on NBC-TV.

The opening of the new Space Mountain complex at Disneyland next June and our plans for the future detailed later in this Annual Report should spark a new era of growth for our California theme park.

Walt Disney World continues to be the world's most popular destination resort, and "River Country," our new water recreation area in the Fort Wilderness Campgrounds, has been well received by the public.

We have an outstanding young management team in all divisions of our Company, and we are in the most secure financial position in our history. We have within the Company the financial resources to move forward confidently with all of the exciting projects I have discussed in this letter.

Card Walker

Card Walker

November 22, 1976



BICENTENNIAL TRIBUTE A special July 4th fireworks show burst over Walt Disney World in celebration of our nation's 200th birthday (right). Just two months later 4,000 Orlando area high school students joined our regular cast in the final performance of "America on Parade" (below). During its 15-month run, the Company's Bicentennial salute completed 668 Walt Disney World and 678 Disneyland performances, and was seen by an estimated 25 million guests.



GROSS REVENUES

	1976	1975	1974	1973
Admissions and rides.....	\$ 92,786,000	\$ 80,057,000	\$ 64,479,000	\$ 62,182,000
Merchandise sales.....	54,659,000	49,625,000	40,691,000	36,702,000
Food sales.....	62,035,000	54,822,000	44,547,000	40,207,000
Lodging.....	33,472,000	30,257,000	26,633,000	22,443,000
Lessee and other rentals.....	9,131,000	8,027,000	5,305,000	5,386,000
Other.....	2,654,000	2,463,000	864,000	1,242,000
Total revenues.....	\$254,737,000	\$225,251,000	\$182,519,000	\$168,162,000
Total attendance.....	13,107,000	12,515,000	10,834,000	11,593,000

Walt Disney World

By the time the "Vacation Kingdom" celebrated its fifth anniversary on October 1, 1976, Walt Disney World had played host to more than 58 million guests. A record 13,107,000 of these came during fiscal 1976, 4.7% above the prior year.

Revenues increased 13.1% to \$254,737,000.

Tourist attendance increased 9% during the year, and 79% of Walt Disney World's out-of-state guests were first-time visitors. New York, Ohio, Michigan, New Jersey and Illinois were the leading contributors.

During the fiscal year, a new single-day attendance record of 82,404 was set on December 31, 1975.

In order to provide an additional 1,800 rides-per-hour capacity in the "Magic Kingdom" theme park, the Company

plans the construction of the Big Thunder Railway, an exciting "thrill ride" mine train attraction, for opening in late 1978.

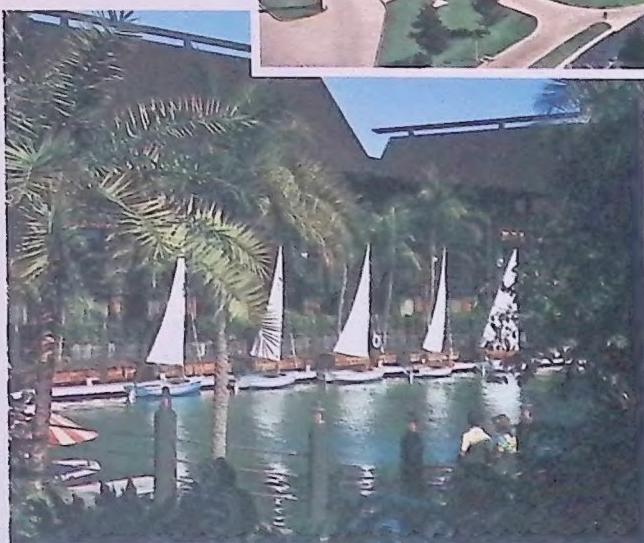
Occupancy at Walt Disney World's three hotels, the Contemporary, the Polynesian Village and the Golf Resort, averaged 97% for the fiscal year. As of October 1, 1976, 267,800 room-nights, or 88% of the available capacity in the Company's three hotels had already been sold or committed for the following six months, an increase of 10.3% over the previous year.

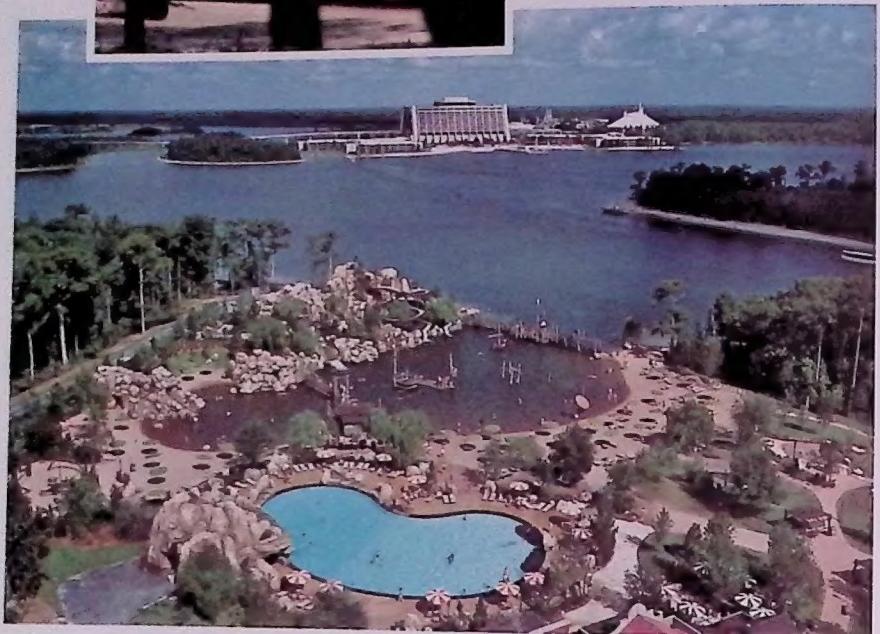
The Company is now planning to construct an additional 144 rooms, as well as a 250-seat themed restaurant and a second swimming pool, at the Polynesian Village. Work is scheduled to begin in early 1977.

113 new campsites were opened at



RESORT OPERATIONS
Construction of 144 additional rooms for the Polynesian Village (below) will begin in 1977. Walt Disney World's three hotels, the Contemporary (right), the Polynesian Village and the Golf Resort averaged 97% occupancy during 1976.

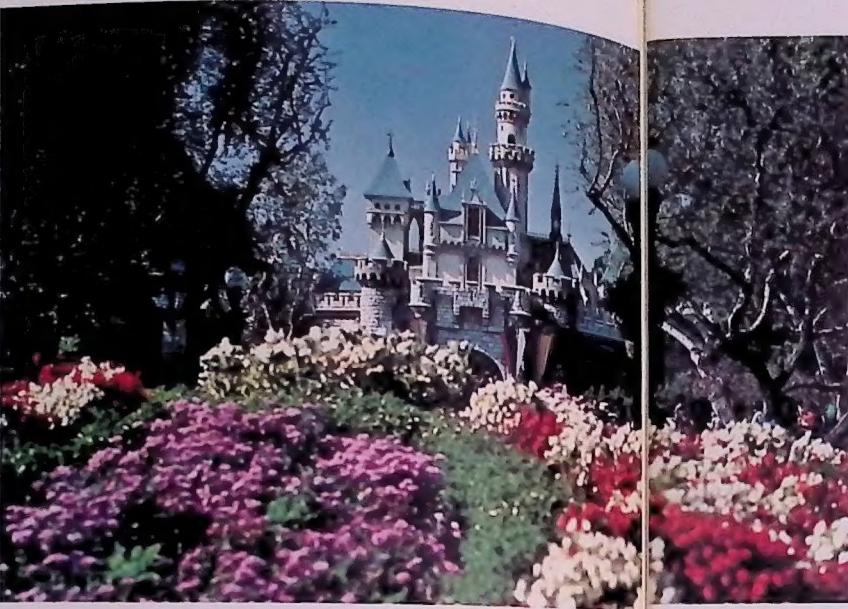
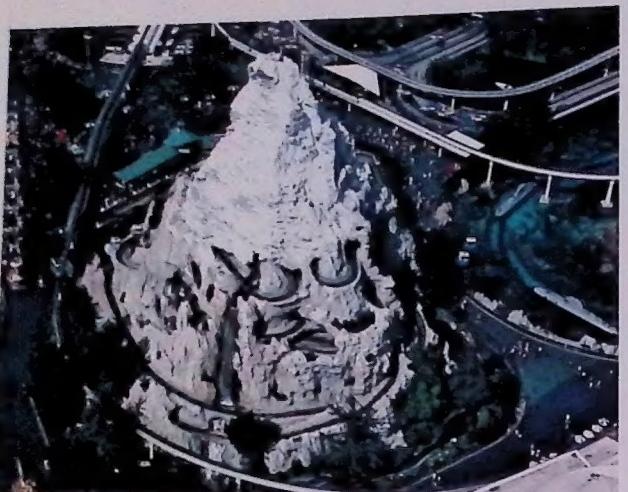




A SPLASHING SUCCESS: Six acres of aquatic fun await visitors to River Country, which opened at Walt Disney World's Ft. Wilderness Campgrounds last June. As many as 4,700 guests per day have already enjoyed its Ol' Swimmmin' Hole, white water rapids, raft rides, rope swings, beaches or a plunge down a 260-foot, 2,000 gallon a minute water slide called Whoop 'N Holler Hollow (below). Already the Company's "Imagineers" are at work designing new attractions for River Country, possibly to include more water slides, an additional raft ride or a two-man boat ride. Ft. Wilderness itself is slated for further expansion in the near future. Plans call for a Frontiertown, a new recreational complex and still more campsites.



LAKE BUENA VISTA: An estimated 2,000,000 people have visited the 29 shops and four restaurants of Lake Buena Vista Village during the past year. Expansion plans include the Empress Lilly, a restaurant styled after the stately Mississippi sternwheelers of the late 1800's (shown in rendering, below left, and under construction, below). Planned for April, 1977 opening, the Empress Lilly will feature three restaurants, a Dixieland Show Bar, and private banquet rooms on its three decks. Being built on land, the 150-ton vessel will be docked very permanently in the Lake Buena Vista lagoon.



A NEW JUNGLE CRUISE. After a four-month face-lifting, during which seven entirely new scenes and more than 30 new "Audio-Animatronics" animals were added to the attraction, Disneyland's world-famous Jungle Cruise reopened to the public in time for the Christmas, 1976 season. Since 1955, more than 74 million guests have gone "on-safari" aboard the Jungle River cruise.



GROSS REVENUES

	1976	1975	1974	1973	1972
Admissions and rides	\$ 57,013,000	\$ 53,360,000	\$48,947,000	\$46,869,000	\$42,281,000
Merchandise sales	31,758,000	27,152,000	23,061,000	20,134,000	16,881,000
Food sales	25,718,000	22,776,000	19,813,000	18,555,000	16,332,000
Lessee and other rentals	5,352,000	5,487,000	5,214,000	5,126,000	6,040,000
Other	373,000	338,000	437,000	505,000	660,000
Total revenues	\$120,214,000	\$109,113,000	\$97,472,000	\$91,189,000	\$82,194,000
Total attendance	10,211,000	10,062,000	9,694,000	10,152,000	9,646,000



Disneyland

Attendance at Disneyland totaled 10,211,000 during fiscal 1976, 1.5% ahead of the prior year and just shy of the all-time record set in 1970. On June 22, the Park welcomed its 150 millionth guest.

Revenues increased 10.2% to a record \$120,214,000.

Although travel patterns were below expectations in the nation's eastern Bicentennial destinations, fears that the Bicentennial would draw visitors away from the West Coast proved unfounded, as Disneyland's out-of-state attendance increased by 5%.

During the 1970's, the Company has focused its capital investment program on Walt Disney World in order to increase the capacity of the Florida theme park to accommodate established visitor demand. During this

period, Disneyland has managed to maintain its levels of attendance in the face of rapidly expanding competition for California's leisure dollar, and despite the fact that the Park has not opened a major new area since Bear Country in early 1972.

As approximately 60% of the Park's attendance comes from within the state of California, new attractions remain a vital factor in stimulating repeat visits and assuring the Park's continued future growth.

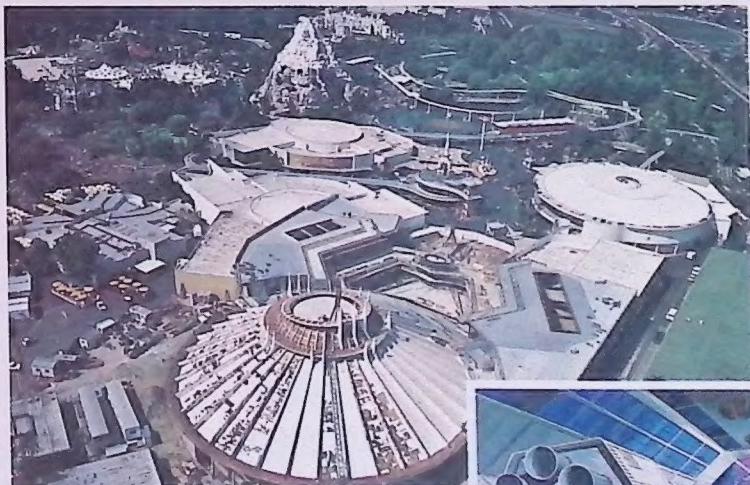
Therefore, in 1975, the Company committed itself to a major new capital development program for Disneyland, and in September of that year, commenced the construction of Space Mountain, an adaptation of the popular Florida "thrill ride." Disneyland's second "mountain," scheduled to open in June,

1977, has been designed to a capacity of 2,160 rides-per-hour, and will be the focal point of an extension of Tomorrowland equal in size to Fantasyland. The area will also feature a permanent stage in a sunken forecourt for both live entertainment and dancing, with seating for 1,000 people; a new fast-food restaurant with seating for 650 people overlooking the stage, and a space-themed electronic arcade.

Other fiscal 1977 projects include the major development of seven new scenes for the world-famous Jungle Cruise, which were completed prior to the 1976 Christmas season, and the construction of an all-new version of the popular Main Street Electrical Parade, set to premiere in both Disney theme parks for the summer season.

Targeted for opening in early 1979, will be the Big Thunder Railway, Disneyland's third major "thrill ride," an exciting mine train which will replace Nature's Wonderland as part of an expanded Frontierland along the Rivers of America.

Also contemplated as part of the Park's new seven-year developmental master plan is "Circusland," an entirely



SPACE MOUNTAIN: This major new "thrill ride," now under construction at Disneyland (above) and adjoining entertainment facilities, will increase Disneyland's in-Park capacity by 5,000 people.

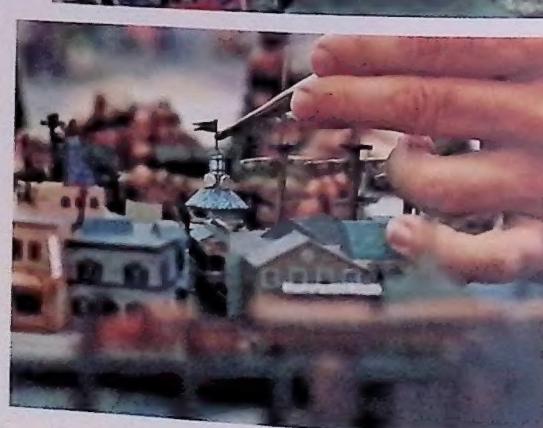


new "land" to be located on approximately five hitherto undeveloped acres both inside and outside the berm adjacent to "It's A Small World."

Here, circus banners will herald a wide variety of attractions, including a relocated and elevated Dumbo elephant sky ride; a new Pinocchio dark ride with Stromboli's Little Puppet Theater gracing its queue line; a whimsical Clown Restaurant, and Mickey's Mad House, a thrilling ride-through themed to the 1930's and the days of glorious black-and-white Mickey Mouse cartoons and ragtime music.

However, the highlight of this all-Disney themed area will be "Circus Disney," a major ride-through attraction featuring a myriad of favorite Disney characters, all brought to life through the "Audio-Animatronics" process. Guests will travel through the wild animal menagerie (featuring King Louie and Shere Khan from "The Jungle Book"); down the midway where familiar Disney stars may be seen in the sideshow, like "The Amazing Flying Dumbo-Ninth Wonder of the World"; through clown alley and finally into the Big Top where they will actually be "on-stage" as part of the three-ring show, featuring such daredevil acts as "The Flying Goofys."

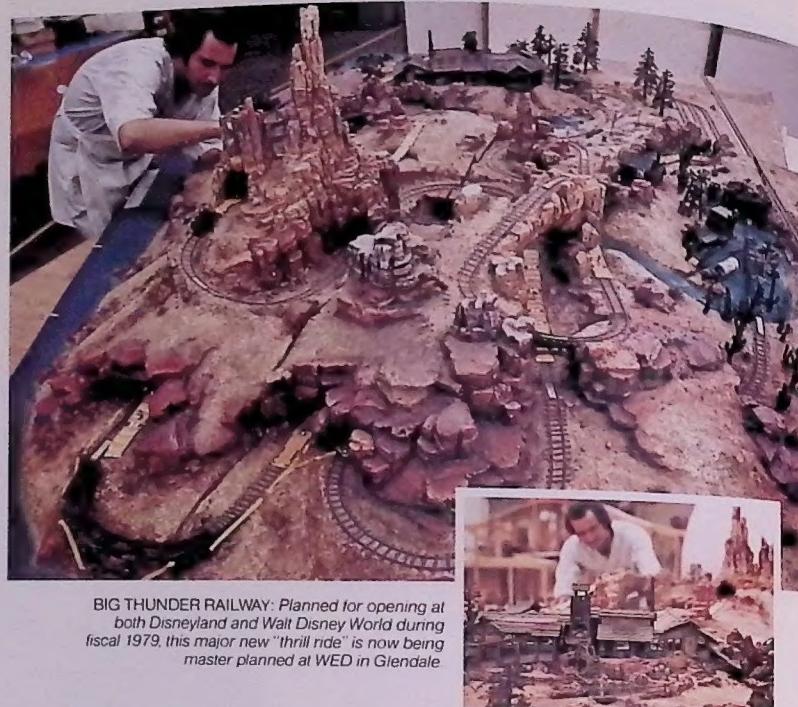
Ultimately Frontierland and the Circus area will be connected through the development of Discovery Bay along a portion of Rivers of America. Themed to the San Francisco of the gold rush age, Discovery Bay will bring to life a time and place that climaxed an age of discovery and expansion. Here would be located attractions based on the motion pictures "Island at the Top of the World" and "20,000 Leagues Under the Sea," the latter featuring "undersea" dining in the Grand Salon of Captain Nemo's famous submarine.



SEVEN-YEAR MASTER PLAN: Under study by the "Imagineers" at WED is this planning model for "Circusland" and "Discovery Bay," major new developments which will continue Disneyland's expansion program into the 1980's.



BIG THUNDER RAILWAY: Planned for opening at both Disneyland and Walt Disney World during fiscal 1979, this major new "thrill ride" is now being master planned at WED in Glendale.



GROSS REVENUES

	1976	1975	1974	1973	1972
Character merchandising	\$21,058,000	\$20,811,000	\$15,128,000	\$13,035,000	\$ 9,360,000
Educational media	17,743,000	15,809,000	12,534,000	8,556,000	7,530,000
Community of Lake Buena Vista and Shopping Village	17,728,000	8,477,000	1,892,000	1,257,000	288,000
Records and music publishing	12,173,000	10,203,000	15,233,000	13,655,000	10,846,000
Publications	11,090,000	9,907,000	8,633,000	8,356,000	5,029,000
Other	6,774,000	5,198,000	3,654,000	2,533,000	2,203,000
Total	\$86,566,000	\$70,405,000	\$57,074,000	\$47,392,000	\$35,256,000

Consumer Products and Other

A resurgence in the profitability of records and music publishing, and strong performances by character merchandising, publications and educational media enabled the Consumer Products Group, along with outstanding growth in the Community of Lake Buena Vista and Shopping Village and other activities, to report record revenues, up 23% to \$86,566,000, and record operating income, up 36% to \$29,514,000.

This outstanding performance, together with the consolidation of Consumer Products activities in the Company's new world headquarters marketing building, capped a seven-year effort by Vince Jefferds, the group's Vice President - Marketing, and the Company's President, Card Walker, to

fully integrate the promotion of Disney's many products—motion pictures, television, theme parks, and consumer products. Guiding the group under the leadership of Walker and Jefferds are three young, yet widely experienced men: Barton K. Boyd, Corporate Vice President—Retail Merchandising for the United States; Merrill Dean, Vice President and General Manager of worldwide music, record and publications activities; and Jim Jimirro, Executive Vice President of the Walt Disney Educational Media Company.

The prospects for these ancillary businesses in fiscal 1977, will be significantly enhanced by the premiere of the New Mickey Mouse Club television series and the release of two full-length animated features, "The Many



"Adventures of Winnie the Pooh" and "The Rescuers," each of which will be supported by record albums, children's books and character merchandise.

During fiscal 1976, **Character Merchandising** and **Publications** revenues increased 4.7% to \$32,148,000. Perhaps the most exciting item in character merchandise to emerge during the year was the new Mickey Mouse Phone, produced by American Telecommunications Corporation, for which national retail sales in excess of \$5,000,000 are projected.



CONSUMER PRODUCTS: Working with the Company's President, Card Walker (second from right) in the development and marketing of Disney's ancillary products are (left to right) Jim Jimirro, Executive Vice President, the Walt Disney Educational Media Company; Barton K. Boyd, Vice President—United States Retail Merchandising; Vince Jeffers, Vice President—Marketing—Consumer Products Division, and Merrill Dean, Vice President and General Manager of worldwide music, record and publications activities.

Highlighting our publishing activities was the debut of the new "Disney Magazine," which is being offered by supermarkets free of charge to purchasers of Proctor & Gamble products. The entire concept, designed to stimulate prime end-isle product displays for P&G's Bar Soap Division, was created by the Disney marketing team. Successfully test marketed for a full year in the Minneapolis area, the magazine began national distribution with a monthly circulation of 4,000,000 last September.

Another creation of the Disney staff is a new series of medical books for children written by one of the world's outstanding medical writers, Robert E. Rothenberg, M.D. Test marketing by our publishing licensee, Grolier, indicates these books should generate more than \$6,000,000 in retail sales in the United States and Canada during the next

two years.

Purnell, our publisher in England, in association with the Studio, has developed a four-volume series of "Disney's Word Books." Each full-color volume features Disney character art to visualize word concepts, and aid children in learning to read.

In addition, our Italian publisher, Mondadori, has created a twelve-volume set of reading adventures about the different nations of the world, entitled "It's a Small World." Both publishing ventures have significant worldwide sales potential.

Educational Media revenues increased 12.2% to \$17,743,000, a record year during which each of the three operating divisions—Educational Films and Materials, 16mm Non-Theatrical Rental and 8mm Home Movies—contributed increased sales

and profits.

Disney educational materials are now used in virtually every school district in the United States. Last year, the educational division added a record number of new products to its worldwide catalogs, and managed to increase its volume even though operating in a depressed school market. Among the new products introduced was the Company's first multi-media kit—"The Wide World of Energy." It includes sound filmstrips, activity cards, study prints, an educational game, and instructional comic books which provide teachers and students a total learning unit on energy.

The international activities of educational media continued to expand in 1976, with significant new arrangements in Canada, Japan, Sweden, France, the Middle East and Australia.

Revenues in **Records and Music**

Publishing increased 19.3% to \$12,173,000 while operating income surged significantly.

During the past eighteen months, records based upon the original Mickey Mouse Club sold close to 1 million units, and a new soundtrack album is now scheduled for release timed to the premiere of the New Mickey Mouse Club television show in January.

During the past summer, Kellogg's offered a special two-record premium on cereal boxes entitled "The Best of Walt Disney" with sales now expected in excess of 80,000 units.

Two other anthology sets are now in release—"The Greatest Hits of Walt Disney," a 24-song album being marketed by Ronco Teleproducts in 150 American markets, and "The Wonderful World of Disney," a seven-record set being marketed by Reader's

Digest in the United Kingdom.

The Walt Disney Music Company and Wonderland Music Company, Inc. introduced more than 65 new publications through representative music print licensees during the past year. Charles Hansen Music and Books, Incorporated and Hal Leonard Publishing Corporation represent our vast catalog of song material as featured in Disney films, records, and television shows, as well as the latest attractions and events at Disneyland and Walt Disney World.

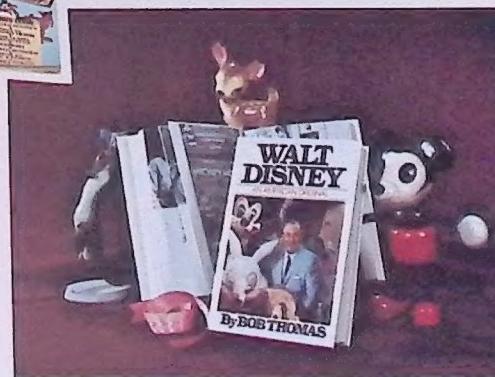
Revenues from the **Community of Lake Buena Vista** and **Shopping Village** include merchandise, food, lodging and golfing activities. These experienced a 109% increase in fiscal 1976, due in part to the first full-year's operation of the Lake Buena Vista Shopping Village.



**Disneyland
RECORDS**



SPECIAL PROMOTIONS: (clockwise from lower left) Record offers for Ronco, Kellogg's and Reader's Digest, and the new Disney Magazine for Procter & Gamble



WALT DISNEY, "AN AMERICAN ORIGINAL". After almost two years of work, Bob Thomas' new biography of Walt Disney was published by Simon & Schuster in October. In his research for this long-awaited book, Thomas had access to all of the material in the Walt Disney Archives and completed personal interviews with more than 80 employees who had worked personally with Walt over the years.

MOUSEKETEER ROLL CALL From over 6,000 boys and girls auditioned nationwide came these twelve young Mouseketeers for the "New Mickey Mouse Club," which premieres in syndication throughout the United States in January, 1977. Here they are (top to bottom, left to right) row 1—Angel Fuentes, Trudi Tuck, and Curtis Wong; Alison Fonte; row 2—Suzi Craig, Kelly Parsons, Lisa Wrenzel, Julie Peckarsky, Billy Price; Altra; row 3—Shawntelle N. Knott, Nita Dee, Mindy Fedman.



GROSS REVENUES

	1976	1975	1974	1973	1972
Theatrical					
Domestic	\$ 60,535,000	\$ 61,224,000	\$ 48,586,000	\$ 40,185,000	\$ 35,525,000
Foreign . . .	39,790,000	37,584,000	29,872,000	26,336,000	26,161,000
Television					
Worldwide . . .	18,808,000	13,720,000	11,932,000	9,638,000	9,079,000
Total	\$119,133,000	\$112,528,000	\$90,390,000	\$76,159,000	\$70,765,000

Motion Picture and Television Distribution

Worldwide film rentals, including television, increased 5.9% to a record \$119,133,000.

Foreign film rentals registered still another record year, up 5.9% to \$39,790,000, despite the fact that, in

1975, the Company benefited from the foreign openings of "Robin Hood" and "Herbie Rides Again," which together will bring film rentals of \$31,000,000 in our foreign markets alone.

Our record 1976 fiscal year (foreign film rentals have almost doubled since 1971) was achieved without benefit of such blockbuster performances and in the face of weaknesses in such currencies as the British pound, the Italian lira and the French franc, three of Disney's most important markets.

The across-the-board success of the Company's foreign distribution program reflected outstanding contributions from both new films and reissues, led by "The Island at the Top of the World" in France (\$1,900,000); "The Jungle Book" in England (\$1,800,000); "Snow

"White and the Seven Dwarfs" in West Germany (\$1,700,000); "Cinderella" in Italy (\$1,525,000); and "Pinocchio" in France (\$1,500,000). In Italy, "Cinderella" became the highest grossing Disney film in history.

Domestic film rentals declined 1.1% to \$60,535,000, due principally to the disappointing performance of the Company's major summer, 1976 release, "Treasure of Matecumbe" (\$4,200,000).

The other films released by the Company in the United States and Canada since Christmas, 1975, will bring estimated film rentals as follows: the fifth reissue of "Snow White and the Seven Dwarfs" (\$11,200,000); the first reissue of the Peter Ustinov, Dean Jones-starring comedy, "Blackbeard's Ghost" (\$4,600,000); the February release of "No Deposit, No Return," a comedy starring David Niven, Darren McGavin, Don Knotts and Barbara Feldon (\$10,600,000); "Ride a Wild Pony," a drama set in Australia and released during the Easter holidays (\$2,900,000); the Fred MacMurray-starring "Follow Me, Boys," reissued in May (\$2,100,000); the fourth reissue of the classic "Peter Pan" in June (\$6,800,000); and "Gus," the delightful summer comedy release about a mule that kicks 100-yard field goals for a professional football team (\$9,000,000).

In addition, the astonishing "Fantasia" brought another \$750,000 in its seventh consecutive year of reissue. Beginning next year, "Fantasia" will always appear



BOX OFFICE CHAMPIONS: "Snow White and the Seven Dwarfs," which began its fifth reissue during Christmas, 1975, and "No Deposit, No Return," which premiered in February, were Disney's top-grossing films during fiscal 1976.

in full stereophonic sound, as Walt Disney originally produced the picture for its initial release in 1940.

During the year, the Company completed a new, firm five-year agreement with the NBC Television Network, which will continue the broadcast of "The Wonderful World of Disney" through the 1980-81 season. The contract which took effect in September, 1976, is virtually unprecedented in television history in both its uncancelable length and the total revenues it will bring the Company. As part of the agreement, NBC will broadcast four Disney feature films in a 2-hour vertical format each year as part of this Sunday night anthology series.

After two years of overwhelmingly successful re-syndication of the original "Mickey Mouse Club" television series, the Company this January will premiere the "New Mickey Mouse Club," which has been videotaped in color at the Disney Studios, Disneyland and on locations throughout Southern California. 85 episodes have now been completed, with an additional 45 slated for immediate production, making possible five-day-a-week programming of this half-hour series for 26 weeks before repeats. SFM Media Service Corporation, which is syndicating the series for Walt Disney Productions, hopes to have reached agreements to telecast the "New Mickey Mouse Club" in as many as 200 markets by the time it premieres on January 17.



ANOTHER DISNEY EXCLUSIVE: In September, Disneyland's 1976 Ambassador Christina Schenkel traveled to Mexico for the opening of the Linda Vista, Mexico City's second all-Disney theater and the eighth theater throughout the world which is now offering Disney films exclusively.





ZANY COMEDY



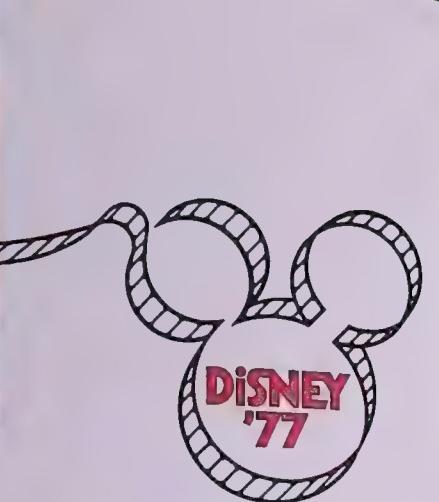
FEBRUARY, 1977 "Freaky Friday"

S E L E B R A T I N G UR C O M E D Y

HOWLING COMEDY



CHRISTMAS, 1976
"The Shaggy D.A."



SUMMER, 1977: "Herbie Goes to Monte Carlo"



HIGH SPEED CAR-MEDY



Throughout 1977, the emphasis at Walt Disney Productions will be on comedy. Five new films, perhaps the strongest lineup of new product ever fielded by Disney in a single year, will premiere on motion picture screens throughout the United States and Canada between Christmas, 1976 and the following summer. In addition, "Pete's Dragon," the most ambitious musical comedy ever undertaken by the Studio, is now set for release at Christmas, 1977.

During the 1977 fiscal year, three reissues have also been scheduled, the first of which was "The Gnomemobile," a gnosensical fantasy-comedy about two gnomes and their search for a lost colony of little people in the California Redwoods. Originally released in 1967, the film, which headlines Walter Brennan and Ed Wynn, should exceed an estimated \$3,000,000 in domestic

film rentals during its first reissue.

The schedule continues as follows:

The Shaggy D.A.: Dean Jones, Tim Conway, Suzanne Pleshette and Keenan Wynn star in this happy comedy sequel to Walt Disney's 1959 hit, "The Shaggy Dog." The new misadventures of Wilby Daniels, now grown up and a candidate for District Attorney, but still under the spell that periodically turns him into a sheep dog, are designed to leave audiences howling with laughter. Bill Anderson produced and Robert Stevenson directed this Christmas 1976, release.

Never a Dull Moment: January will bring the first reissue of this Dick Van Dyke, Edward G. Robinson, Dorothy Provine-starring gangster spoof. Van Dyke plays a Broadway actor forced to impersonate a notorious mobster when he accidentally becomes embroiled in a scheme to burglarize a museum. The

film will be offered to exhibitors with a featurette-length adaptation of "The Three Caballeros," a colorful musical comedy salute to Latin America.

Freaky Friday: Two outstanding actresses, Barbara Harris and thirteen-year-old Jody Foster, join forces in this comedy about what happens when a mother and daughter realize their wish to change places for a day. The Company's February release, "Freaky Friday" directed by Gary Nelson for executive producer Ron Miller, was exhibited in the Los Angeles area during the Christmas season to qualify for Academy Award consideration.

The Littlest Horse Thieves: Alastair Sim stars in this early 20th-century drama, in which three children daringly attempt to rescue from a Welsh coal mine twelve ponies, which have been rendered obsolete by mechanization and marked for destruction. The film



EASTER, 1977: The Littlest Horse Thieves and The Many Adventures of Winnie the Pooh



was produced by Ron Miller with Hugh Attwooll as his associate and directed by Charles Jarrott. The Company's Easter release, it will be offered to exhibitors with an enchanting feature-length compilation of "The Many Adventures of Winnie the Pooh." This animated film returns to the screen Winnie the Pooh, the winsome, huggable bear, and all of his popular friends from the Hundred Acre Wood.

The Boatniks: Set for June reissue, this antic comedy stars Robert Morse, Stefanie Powers and Phil Silvers in the story of a bumbling Coast Guard officer who tries to cope with the inept amateur sea dogs who set sail on California's Newport Harbor, the busiest small boat harbor in the world.

Herbie Goes to Monte Carlo: This second sequel to "The Love Bug" reunites Dean Jones with that feisty little Volkswagen which has a mind of its own. Don Knotts and Julie Sommars join the fun, this time in France, where Herbie gets mixed up with diamond thieves, enters a cross-country road race... and falls in love with a powder blue Lancia.



SUMMER, 1977: Disney's newest full-length animated feature "The Rescuers" comes to the screen after more than four years of production.

named Giselle. Vincent McEveety directed this summer, 1977, release for executive producer Ron Miller.

The Rescuers: Summer, 1977, will also herald the release of Disney's latest full-length animated cartoon, more than four years in the making, and the first since the immensely successful "Robin Hood" premiered for Christmas, 1973. In this charming, yet suspenseful film, the international all-mouse Rescue Aid Society headquartered in the basement of the United Nations Building dispatches two fledgling agents to locate

a little girl held captive in the "Devil's Bayou" along the Gulf Coast. Produced and directed by Wolfgang Reitherman, "The Rescuers" features the voices of Eva Gabor, Bob Newhart and Geraldine Page.

With the return of Herbie, the incomparable Volkswagen hero of 1969's top grossing motion picture, and the premiere of Disney's newest full-length animated cartoon, "The Rescuers," the summer of 1977 promises to be one of the most exciting in the Company's history.



MUSICAL COMEDY



FUTURE PRODUCTION
Two major films which have completed principal photography for release during fiscal 1977 are "Pete's Dragon," a musical fantasy whose all-star cast includes Helen Reddy, Mickey Rooney and young Sean Marshall (seen above) and "Candleshoe," starring David Niven and Helen Hayes (left).

Motion Picture and Television Production

by Ron Miller, Vice President—Executive Producer

At Walt Disney Productions, I believe we have a wonderful team of creative personnel, and we are extremely proud of our product lineup for 1977, which has been presented on the preceding pages. Our staff is now at work on new projects which will reach motion picture theaters in 1978, 1979, and in the case of the new animated feature, "The Fox and the Hound" Christmas, 1980.

"Pete's Dragon," a lively musical fantasy starring vocalist Helen Reddy in her first major motion picture role, along with Jim Dale, Mickey Rooney, Red Buttons, Shelley Winters and young Sean Marshall, completed principal photography in November, and will continue in animation until mid-1977. Two-time Academy Award winners Al Kasha and Joel Hirschhorn have written twelve songs for this, our Christmas, 1977 release. Malcolm Marmorstein wrote the screenplay about a nine-year-old orphan whose occasionally visible friend, Elliott the dragon, wreaks havoc on a New England town just after the turn of the century. Don Chaffey directed for producer Jerome Courtland.

We have also completed production in England on our Easter, 1978 release, "Candleshoe." David Niven, Helen Hayes, Jody Foster and Leo McKern star in this story about a tough, fourteen-year-old girl from the slums of Los

Angeles who lays claim to the tattered manor house of an eccentric and impoverished English grandame. The film was directed by Norman Tokar.

Jerome Courtland plans to begin production next March on "Return to Witch Mountain," a sequel to our highly successful Easter, 1975 release. Mai Marmorstein is writing the screenplay



for this action adventure, which will reunite the talented youngsters who starred in the original film, Kim Richards and Ike Eisenmann.

Ted Key of "Hazel" fame, who gave us "Million Dollar Duck" and "Gus," is now



SPACE STATION ONE. The space station Centaurus (above) and the shuttle ship "Palomino" (below) play important roles in this exciting science fiction adventure planned for production in mid-1977.



venture out among us earthlings

Don Tait, writer of six hit Disney films is currently scripting "The North Avenue Irregulars," which he will co-produce with Tom Leetch. This is a true story about an eastern town in which a group of mothers, spearheaded by a preacher, combine to defeat organized crime. It's a comedy with significance, which will be told with the light Disney touch.

Perhaps the most ambitious motion picture ever attempted by Walt Disney

Productions will be "Space Station One," a fantastic science fiction story which will begin production in mid-1977, for Christmas, 1978 release. John Hough will direct this story about an incredible robot which assists in the daring rescue of the personnel aboard a doomed earth station, which is steadily being drawn into a black hole in space.

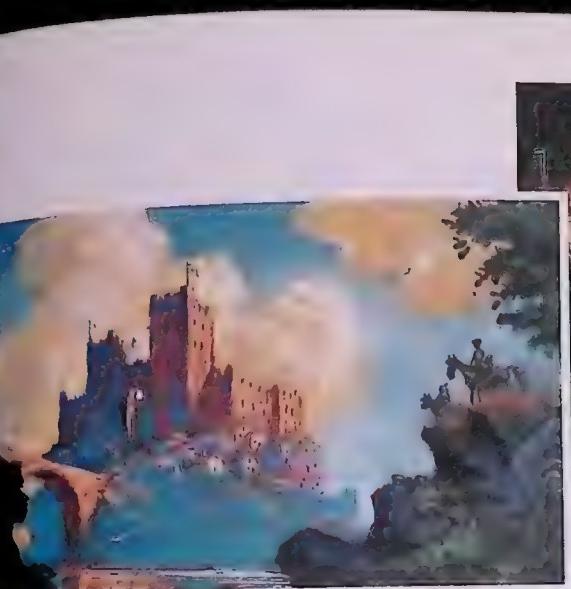
Chris Hibler will co-produce "Bloodshy," a parody of life in the old West in the tradition of our immensely successful 1975 release, "The Apple Dumpling Gang." Joe McEveety wrote the screenplay about an eastern dude named Bloodshy, who travels across country with two orphans to a lawless tank town in search of his rabble-rousing twin brother and a share of the family inheritance.

Don Nelson and Arthur Alberg who wrote "Gus," "No Deposit, No Return" and "Herbie Goes to Monte Carlo," are now at work on a new comedy entitled "My Son, the Witch Doctor," the story

of an aged witch doctor who dies in Africa and leaves a sackful of magic to his great, great, great grandson—the eight-year-old son of an American high school teacher.

With the production of "The Rescuers" now essentially completed, our animation team has begun work on "The Fox and the Hound." Producer-director Woolie Reitherman is pointing toward a Christmas, 1980 release of this story about two animals which begin life as friends, but later realize they should be enemies.

Also scheduled for future production is "The Cauldron," an animated feature which will return the Studio to the classical fairytale, combining the most exciting elements of "Snow White and the Seven Dwarfs" and "Fantasia." Based upon the first three novels of Lloyd Alexander's "The Prydaine Chronicles," this story of a boy and girl's adventures in prehistoric Wales will provide a major challenge to our new team of creative young artists, who have been develop-



THE CAULDRON: This musical fairytale set in prehistoric Wales is under development for future production by the Company's highly skilled animation team.



TELEVISION PRODUCTION: Among the programs now in preparation for "The Wonderful World of Disney" are the following:

COOMBA, DINGO OF THE OUTBACK Filmed in Australia, this story of an Aborigine boy and a wild dingo dog who become inseparable during the boy's traditional hunt in the fabled Valley of the Emu, was produced by Roy E. Disney.



THE WHALE'S TOOTH: This adventure about a young Malo boy and his efforts to retrieve a whale's tooth, a sacred symbol of trust, from an enemy tribe, was produced by Roy E. Disney entirely on location in the exotic islands of French Polynesia.



THE GHOST OF KRAMER'S ISLAND: While on the trail of a killer black panther, a young boy comes face to face with a half-crazed swamp hermit—a murderer who has been hiding for 16 years. Vic Morrow, Jeff East and Noah Beery star in this two-hour program, the first Disney movie ever made especially for television. Ron Miller and Chris Hibler produced and Vince McEveety directed.

THE FOX AND THE HOUND. Disney's next animated feature, planned for release at Christmas, 1980, began production last year.





CAROLINE LEONETTI AHMANSON*
Businesswoman, civic leader
and philanthropist

DONN B. TATUM†
Chairman of the Board and
Chief Executive Officer



Board of Directors



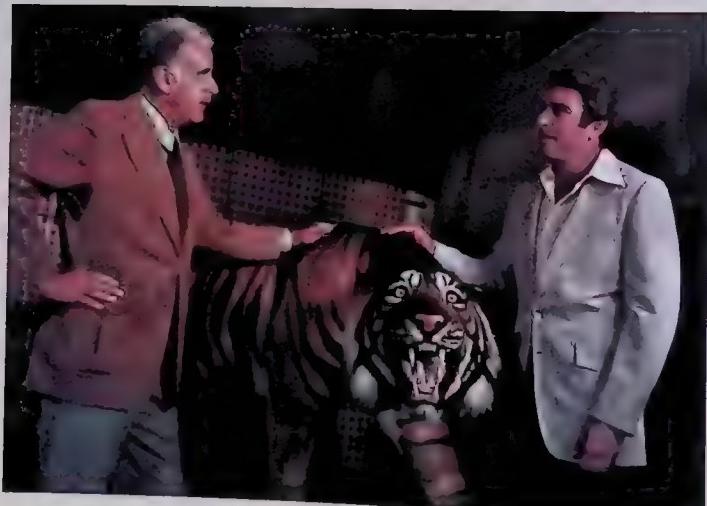
RICHARD T. MORROW
Vice President—General Counsel

PHILIP M. HAWLEY†
President, Carter Hawley Hale
Stores, Inc. (retail
merchandising)



WILLIAM H. ANDERSON
Producer

*Member Executive Committee
†Member Audit Committee



ROY E. DISNEY
Vice President



E. CARDON WALKER*
President and Chief
Operating Officer

RONALD W. MILLER*
Vice President
Executive Producer

Financial Highlights

Walt Disney
Productions
and Subsidiaries

	1976	1975
Revenues	\$583,896,000	\$520,006,000
Income before taxes on income	\$140,199,000	\$115,741,000
Taxes on income	\$ 65,600,000	\$ 54,000,000
Net income	\$ 74,599,000	\$ 61,741,000
Per share	\$2.41	\$2.00
Capital expenditures	\$ 43,708,000	\$ 42,565,000
Total assets	\$873,925,000	\$782,666,000
Long term liabilities	\$ 6,771,000	\$ 6,100,000
Stockholders equity	\$692,382,000	\$618,743,000
Per share	\$22.33	\$20.04
Average number of common and common equivalent shares outstanding during the year	31,009,000	30,874,000
Number of stockholders	60,000	59,000
Number of permanent employees	16,000	14,500

To our Shareholders and Employees:

The Company's 1976 year has resulted in another set of new records. Revenues (up 12%), net income (up 21%), earnings per share, assets, available cash, and stockholders equity (up 12%) are all at new highs.

This strong performance is made all the more gratifying by reason of the fact that it occurred in a year of lingering economic uncertainties, including foreign currency devaluations which significantly reduced nonetheless record foreign revenues, and the unsettling effect upon entertainment and travel patterns of the combination of Presidential election year activities, the events of the Bicentennial period, and the widespread interest in the summer Olympic games.

This achievement is consistent with our history as is demonstrated by the chart reproduced on the opposite page entitled Record of Growth, which underscores my deep belief that there is a dynamism of progress at work within the fundamentals of our Company and its business stemming from the kinds of activity in which we are engaged, our philosophy concerning and the manner in which we conduct that activity and the worldwide acceptance of and confidence in the name "Walt Disney." The financial statements, summary of accounting policies, and financial notes contained herein are replete with important and informative detail which I urge the reader to carefully review.

As this report clearly shows, every part of the Company's business has had a good year and enjoys excellent prospects for the future. There is strong—even fierce—competition in everything, but we are nevertheless justified in believing that the ongoing momentum in our divisions, strong leadership, dedication to quality and value, and the continued acceptance of and confidence in our Company and its products and services will enable us to continue this progress.

As is evident from the letters of Card Walker and Ron Miller, we are well endowed with unique and promising new projects. We can take great satisfaction in the creative strength in our motion picture production organization, including the emergence of a young team of new animators, under the tutelage of their accomplished seniors, to carry on our long and successful tradition in the cartoon field. This strength is best evidenced by the product itself and is a tribute to the direction and leadership in that area.

The promise held in the steadily developing concept of EPCOT, including World Showcase, is not overstated. Here is further evidence of the fact that Walt Disney World, in which we have made such a heavy and, happily, productive basic investment is considerably more than a project—in reality, a program for our Company for many years to come.

Independence Lake will likewise provide us with a long range oppor-

tunity to apply our know-how and standards of quality in the outdoor recreational field and will demonstrate what responsible private enterprise is capable of in serving the public in an era of growing recreational need. There are substantial hurdles of appropriate environmental inquiry which will have to be surmounted in the months ahead, but I am confident that the demonstrated public need plus the irrefutable quality and responsibility of the standards which we will observe will enable us to surmount successfully these problems.

The Tokyo Bay project is one in which, I believe, both parties have great confidence, but are approaching in a careful and prudent manner because of its large scale and unusual features. It has the promise of providing our Company with an opportunity to apply our technology and expertise and to take advantage of the high platform of public acceptance of our name and activities in a distant foreign environment.

The implications for the future arising from this speak for themselves.

Fortunately, we have the resources, human and financial, to accomplish all of these objectives. We are strong in people in every part of the Company. We have a fine and seasoned management team in their forties and another one behind them in their thirties.

Our financial position is such that we are going to be able to carry on new programs to a very large extent through internally generated funds of which we have been fortunate enough to accumulate a substantial sum during the past year and which is earmarked for these uses. Where necessary, we can take advantage of our strong credit standing which we shall resort to only in a prudent and balanced way when necessary. In accomplishing these objectives, we do not presently foresee any need to resort to additional equity financing.

In the last twenty one years (since the opening of Disneyland), Stockholders' Equity has risen from \$8,900,000 to \$692,400,000. Of that amount, \$290,500,000, or 42%, is attributable to proceeds from the sale of common stock. The balance, \$401,900,000, or 58%, represents income earned by the Company but retained in the business. Of that latter amount, \$177,300,000 represents seventeen annual stock dividends (2 or 3 percent) reflected at an amount equal to the market value of the stock at the time the dividend was declared, charged against earnings and credited to invested capital.

The stock dividends allowed the Company to retain a significant amount of earnings for application to growth in the Company's business at the same time giving the shareholder additional stock which, at his option, he could sell, either all or in part, at the same time contributing to the growth in the book value of each share of stock.



CONSOLIDATED STATEMENT OF INCOME

	Year Ended September 30	
	1976	1975
REVENUES		
Entertainment and recreational activities	\$378,197,000	\$337,073,000
Film rentals	119,133,000	112,528,000
Consumer products and other	86,566,000	70,405,000
Total revenues	583,896,000	520,006,000
COSTS AND EXPENSES OF OPERATIONS		
Entertainment and recreational activities	305,298,000	272,953,000
Film rentals	61,261,000	55,892,000
Consumer products and other	57,052,000	48,742,000
Total costs and expenses of operations	423,611,000	377,587,000
OPERATING INCOME BEFORE CORPORATE EXPENSES		
Entertainment and recreational activities	72,899,000	64,120,000
Film rentals	57,872,000	56,636,000
Consumer products and other	29,514,000	21,663,000
Total operating income before corporate expenses	160,285,000	142,419,000
CORPORATE EXPENSES		
General and administrative	20,474,000	17,321,000
Projects and preliminary concepts abandoned	3,182,000	6,702,000
Interest (income) expense—net	(3,570,000)	2,655,000
Total corporate expenses	20,086,000	26,678,000
INCOME BEFORE TAXES ON INCOME		
Taxes on income (note 2)	140,199,000	115,741,000
	65,600,000	54,000,000
NET INCOME	\$ 74,599,000	\$ 61,741,000
EARNINGS PER SHARE		
	<u>\$ 2.41</u>	<u>\$ 2.00</u>

See notes to consolidated financial statements and summary of significant accounting policies

Record of Growth (in thousands)	Total Assets	Stockholders Equity	Total Revenues	Net Income
1931	\$ 178	\$ 90	\$ 469	\$ 21
1935	1,018	806	1,548	109
1945	8,696	6,170	4,551	351
1955	21,636	8,889	24,639	1,353
1965	90,792	55,718	109,900	12,434
1970	275,243	225,221	167,103	21,759
1971	505,219	325,698	174,556	26,850
1972	617,239	467,853	329,437	40,293
1973	687,287	513,940	385,065	48,028
1974	751,539	560,171	429,889	48,527
1975	782,666	618,743	520,006	61,741
1976	873,925	692,382	583,896	74,599

Donn B. Tatum
Chairman of the Board

November 22, 1976

CONSOLIDATED BALANCE SHEET

Walt Disney Productions and Subsidiaries

ASSETS	September 30		September 30	
	1976	1975	1976	1975
CURRENT ASSETS				
Cash	\$ 8,567,000	\$ 8,430,000		
Short term investments, principally certificates of deposit, at cost which approximates market	101,118,000	32,203,000		
Accounts receivable	21,287,000	23,035,000		
Inventories				
Film production costs (note 1)	25,158,000	24,024,000		
Merchandise, materials and supplies	32,312,000	30,368,000		
Prepaid expenses	7,434,000	7,314,000		
Total current assets	<u>195,876,000</u>	<u>125,374,000</u>		
FILM PRODUCTION COSTS—NON-CURRENT (note 1)	45,520,000	30,224,000		
ENTERTAINMENT ATTRACTIONS AND FACILITIES, at cost	678,000,000	658,366,000		
Less accumulated depreciation	<u>(181,939,000)</u>	<u>(151,981,000)</u>		
	496,061,000	506,385,000		
OTHER BUILDINGS AND EQUIPMENT, at cost	103,812,000	93,363,000		
Less accumulated depreciation	<u>(24,185,000)</u>	<u>(20,202,000)</u>		
	79,627,000	73,161,000		
CONSTRUCTION IN PROGRESS, at cost	31,077,000	20,528,000		
LAND, at cost	16,777,000	16,586,000		
OTHER ASSETS	8,987,000	10,408,000		
	<u>\$873,925,000</u>	<u>\$782,666,000</u>		
LIABILITIES AND STOCKHOLDERS EQUITY				
CURRENT LIABILITIES				
Accounts payable			\$ 21,466,000	\$ 20,348,000
Payroll and employee benefits			13,040,000	14,448,000
Property, payroll and other taxes			5,610,000	4,022,000
Unearned deposits and advances			10,514,000	8,653,000
Taxes on income (note 2)			31,090,000	26,547,000
Total current liabilities			<u>81,720,000</u>	<u>74,018,000</u>
UNEARNED DEPOSITS AND ADVANCES—NON-CURRENT			3,990,000	6,937,000
LONG TERM LIABILITIES			6,771,000	6,100,000
DEFERRED TAXES ON INCOME AND INVESTMENT CREDITS (note 2)			89,062,000	76,868,000
COMMITMENTS AND CONTINGENCIES (note 5)				
STOCKHOLDERS EQUITY (note 4)				
Preferred shares, \$20 par value				
Authorized—5,000,000 shares; none issued				
Common shares, \$1.25 par value				
Authorized—75,000,000 shares				
Issued and outstanding—30,729,584 and 29,759,641 shares			38,412,000	37,199,000
Capital in excess of par value			432,781,000	386,188,000
Retained earnings			221,189,000	195,356,000
			692,382,000	618,743,000
			<u>\$873,925,000</u>	<u>\$782,666,000</u>

CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

	Common Shares Number	Common Shares Par Value	Capital in Excess of Par Value	Retained Earnings
Balance at September 30, 1974.....	29,171,924	\$36,465,000	\$373,312,000	\$150,394,000
Exercise of stock options (note 4).....	4,278	5,000	106,000	
Income tax benefit from sale of option shares by employees.....			273,000	
Dividends				
Cash (12¢ per share).....			(3,553,000)	
Stock (2%).....	583,439	729,000	12,497,000	(13,226,000)
Net income for the year.....				61,741,000
Balance at September 30, 1975.....	29,759,641	37,199,000	386,188,000	195,356,000
Exercise of stock options (note 4).....	76,559	96,000	1,643,000	
Income tax benefit from sale of option shares by employees.....			960,000	
Dividends				
Cash (12¢ per share).....			(3,659,000)	
Stock (3%).....	893,384	1,117,000	43,990,000	(45,107,000)
Net income for the year.....				74,599,000
Balance at September 30, 1976.....	<u>30,729,584</u>	<u>\$38,412,000</u>	<u>\$432,781,000</u>	<u>\$221,189,000</u>

MARKET PRICE AND DIVIDEND DATA

	Market Price*				Dividends	
	1976		1975		1976	1975
	High	Low	High	Low		
First quarter.....	\$52%	\$40%	\$26%	\$16%	.03	.03
Second quarter.....	63	50%	44%	20%	.03	.03
Third quarter.....	62%	50	54%	43	.03	.03
Fourth quarter.....	56%	47%	52%	38½	.03	.03
Year's high and low.....	63	40%	54%	16%		

*Adjusted for stock dividends

See notes to consolidated financial statements and summary of significant accounting policies

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year Ended September 30	
	1976	1975
FINANCIAL RESOURCES WERE PROVIDED BY:		
Operations		
Net income	\$ 74,599,000	\$ 61,741,000
Expenses not affecting working capital		
Depreciation	34,975,000	32,819,000
Amortization of preopening costs	2,084,000	2,085,000
Amortization of film production costs, non-current	2,996,000	2,162,000
Projects and preliminary concepts abandoned	1,851,000	4,713,000
Deferred taxes on income and investment credits	12,194,000	13,724,000
Working capital provided from operations	128,699,000	117,244,000
Increase in long term liabilities	1,389,000	960,000
Proceeds from exercise of stock options and tax benefits	2,699,000	384,000
	<u>132,787,000</u>	<u>118,588,000</u>
FINANCIAL RESOURCES WERE USED FOR:		
Additions to entertainment attractions, facilities and other depreciable assets and construction in progress, principally Walt Disney World	43,708,000	42,565,000
Additions to non-current film production costs	35,559,000	22,137,000
Less transfer to current film production costs	(17,267,000)	(17,310,000)
Reduction of long term liabilities	718,000	55,661,000
Cash dividends	3,659,000	3,553,000
Decrease in unearned deposits and advances	2,947,000	1,643,000
Other	663,000	1,223,000
	<u>69,987,000</u>	<u>109,472,000</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$ 62,800,000</u>	<u>\$ 9,116,000</u>
INCREASE (DECREASE) IN COMPONENTS OF WORKING CAPITAL:		
Cash	\$ 137,000	\$ (4,814,000)
Short term investments	68,915,000	29,203,000
Accounts receivable	(1,748,000)	(7,570,000)
Inventories	3,078,000	7,555,000
Prepaid expenses	120,000	(83,000)
Accounts payable	(1,118,000)	(1,063,000)
Payroll and employee benefits	1,408,000	(3,613,000)
Property, payroll and other taxes	(1,588,000)	(406,000)
Unearned deposits and advances	(1,861,000)	(3,267,000)
Taxes on income	(4,543,000)	(6,826,000)
	<u>\$ 62,800,000</u>	<u>\$ 9,116,000</u>

See notes to consolidated financial statements and summary of significant accounting policies.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's principal business is the production and distribution of theatrical and television films and the operation of two amusement theme parks, "Disneyland," California, and "Walt Disney World," Florida, which are referred to as entertainment and recreational activities. In addition, the Company has operations including music and records, character merchandising, publications and educational media materials, all referred to as consumer products and other. The following summary of the Company's significant accounting policies is presented as an integral part of the financial statements.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its domestic and foreign subsidiaries, all wholly owned.

FILM PRODUCTION COSTS AND AMORTIZATION

Costs of completed theatrical and television film productions (negatives), together with applicable capitalized exploitation costs, are amortized by charges to income in the proportion that gross revenue received by the Company during the year for each production bears to the estimated total gross revenue to be received from all sources. Estimates of total gross revenue are reviewed periodically and amortization is adjusted accordingly. When unamortized cost exceeds the estimated producers share of film rentals the carrying value of the film is adjusted to net realizable value.

INVENTORIES

Costs of merchandise, materials and supplies inventories are generally determined on the moving average basis and are stated at the lower of cost or market.

ENTERTAINMENT ATTRACTIONS, FACILITIES AND OTHER DEPRECIABLE ASSETS

The Company classifies the costs of its two amusement theme parks (rides, attractions, exhibits, shops), recreational facilities (lake, lagoon, golf courses), theme resort hotels and direct support properties including buildings (warehouses, maintenance shops, administration), transportation systems and roads as entertainment

attractions and facilities. Other buildings and equipment consist of properties at the Burbank studio, The Village shopping complex and other properties not directly related to entertainment and recreational activities.

Depreciation is provided principally on the straight line method using estimated service lives ranging from 4 to 50 years. Depreciation and maintenance and repairs are charged either directly to costs and expenses as incurred or to film production costs which are then amortized against income; major replacements and betterments are capitalized. The cost and related accumulated depreciation of property sold or retired are removed from the accounts and any resulting gain or loss is recorded in income.

TAXES ON INCOME

Taxes are provided on all revenue and expense items included in the consolidated statement of income, regardless of the period in which such items are recognized for income tax purposes, except for items representing a permanent difference between pretax accounting income and taxable income. Investment tax credits, accounted for by the deferral method, are amortized as a reduction of the provision for taxes on income over the average service lives of the related assets.

STOCK OPTIONS

Proceeds from the sale of common stock issued under stock option plans are accounted for as capital transactions and no charges or credits are made to income in connection with the plans.

EARNINGS PER SHARE

Earnings per common and common equivalent share are computed on the basis of the average number of shares outstanding during each year, retroactively adjusted to give effect to all stock splits and stock dividends. It is assumed that all dilutive stock options are exercised at the beginning of each year and that the proceeds are used to purchase shares of the Company's common stock at the average market price during the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 INVENTORIES—FILM PRODUCTION COSTS:

Inventories of theatrical and television film productions consist of the following components:

	1976	1975
Released, less amortization.....	\$25,820,000	\$26,250,000
Completed, not yet released.....	6,387,000	5,008,000
In process.....	38,471,000	22,990,000
	70,678,000	54,248,000
Less: Non-current film production costs.....	45,520,000	30,224,000
Current film production costs	<u>\$25,158,000</u>	<u>\$24,024,000</u>

Non-current film production costs include costs of theatrical and television films in process of production, portions of completed theatrical film costs allocated to television and portions of completed television film costs allocated to foreign markets.

NOTE 2

TAXES ON INCOME:

The provision for taxes is composed of the following:

	1976	1975
Currently Payable		(Reclassified)
—Federal	\$46,606,000	\$32,295,000
—State	5,235,000	4,471,000
—Foreign	3,387,000	2,489,000
Deferred		
—Federal	12,397,000	16,321,000
—State	808,000	1,224,000
—Investment credits amortized	(2,833,000)	(2,800,000)
	<u>\$65,600,000</u>	<u>\$54,000,000</u>

The significant components of deferred taxes on income included in the provision for taxes on income are as follows:

	1976	1975
Excess of tax over book depreciation and amortization	\$12,230,000	\$12,873,000
Investment credits claimed for tax purposes in excess of amortization under deferral method for financial reporting purposes	581,000	3,232,000
Other	(2,439,000)	(1,360,000)
Total provision for deferred taxes on income	<u>\$10,372,000</u>	<u>\$14,745,000</u>

The difference between the U.S. federal income tax rate of 48% and the Company's effective income tax rate is explained below:

	1976	1975
Federal income tax rate	48.0%	48.0%
State income taxes, net of federal income tax benefit	2.2	2.6
Reduction in taxes resulting from:		
Investment tax credits	(2.0)	(2.4)
Tax benefit from domestic international sales corporation	(1.2)	(1.5)
Other	(2)	(2)
Effective income tax rate	<u>46.8%</u>	<u>46.7%</u>

Net deferred taxes of \$6,254,000 at September 30, 1976 (\$8,076,000—1975) are included in taxes on income shown under current liabilities on the balance sheet.

Deferred investment tax credits amount to \$17,260,000 at September 30, 1976 (\$16,679,000—1975).

The United States Court of Appeals for the Ninth Circuit on August 5, 1976 affirmed a decision by the United States District Court in favor of the Company in connection with the Company's claim for a refund of tax in the amount of \$715,000, plus interest, attributable to investment tax credits on theatrical and television productions for its fiscal year 1970. The case was remanded to the District Court for a decision as to whether any of the credits should be offset by adjustments to film amortization. The claimed amount will not be reflected in the Company's accounts until collection is assured.

NOTE 3

PENSION PLANS:

The Company contributes to various domestic trusted pension plans under union and industry-wide agreements. Contributions are based on the hours worked by or gross wages paid to covered employees. The Company has no past service liability under these plans.

The Company has pension plans covering substantially all of its domestic employees not covered by union or industry pension plans. The plans are funded by Company and employee payments to a trust administered by a bank. At June 30, 1976, the date of the latest actuarial evaluation, the market value of the fund's assets exceeded the actuarially computed vested benefits by

REPORT OF INDEPENDENT ACCOUNTANTS

\$2,150,000. The Company has also established a non-qualified and unfunded key employee retirement plan providing for Company and domestic employee contributions.

The aggregate cost of all these plans was \$3,974,000 and \$3,108,000 for fiscal years 1976 and 1975, respectively, including amortization of actuarially computed prior service costs, where applicable, over periods ranging to thirty-six more years.

The Employee Retirement Income Security Act of 1974 has required certain revisions to the Company's pension plans. Management believes these revisions will not have a material effect on future pension expense or funding requirements.

**NOTE 4
STOCKHOLDERS EQUITY:**
A 3% stock dividend was issued to stockholders of record on December 19, 1975, resulting in a \$45,107,000 transfer from retained earnings to the other capital accounts.

Under the Company's 1967 and 1973 stock option plans, options are granted to key executive, management and creative personnel at prices equal to market price at date of grant.

Transactions under the plans during fiscal year 1976 were as follows:

	Number of Shares	
	Options Granted	Available For Grant
Outstanding September 30, 1975 (\$21.71 to \$90.52 per share)	598,121	255,701
Added for 3% stock dividend	16,976	8,044
Cancelled	(41,259)	41,259
Granted	-0-	-0-
Exercised (\$21.71 to \$51.75 per share)	(76,559)	
Outstanding September 30, 1976 (\$21.71 to \$90.52 per share)	<u>497,279</u>	<u>305,004</u>

Options are exercisable beginning not less than one year after date of grant. Qualified options expire five years after date of grant and non-qualified options expire ten years after date of grant. At September 30, 1976, 9,447 shares granted under the 1967 plan were exercisable at \$47.33 to \$90.52 per share and 80,582 shares granted under the 1973 plan were exercisable at \$21.71 to \$84.50 per share.

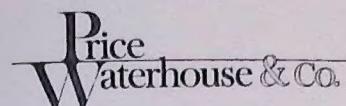
NOTE 5

COMMITMENTS AND CONTINGENCIES:

Pursuant to an agreement for the use of the name of Walt Disney, Retlaw Enterprises, Inc. (a company owned by the family of the late Walter E. Disney) received royalty payments of approximately \$3,550,000 and \$2,659,000 from the Company for fiscal years 1976 and 1975, respectively; in accordance with such name agreement, the payments in fiscal year 1976 included \$1,817,000 (\$1,146,000—1975) as a participation by Retlaw of 5% in the profits, as defined in that agreement, of Walt Disney World Phase I operations.

Under an agreement with a bank the Company has available an unsecured revolving line of credit of \$50,000,000 under which the Company maintains on deposit 10% of the committed funds plus 10% of any borrowings. At September 30, 1976 the Company had no borrowings.

The Company is a defendant with other motion picture producers or distributors in a number of private treble damage actions asserting claims under the federal anti-trust laws. These actions, which seek damages aggregating hundreds of millions of dollars, are in various stages of pre-trial proceedings. The Company has denied the material allegations of the complaints in these actions and in the opinion of management the Company will not suffer any material liability by reason thereof.



1980 CENTURY PARK EAST
WEST LOS ANGELES, CALIFORNIA 90067

November 22, 1976

To the Board of Directors and Stockholders
of Walt Disney Productions

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, stockholders equity and changes in financial position present fairly the financial position of Walt Disney Productions and its subsidiaries at September 30, 1976 and 1975 and the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

QUARTERLY FINANCIAL SUMMARY

(In thousands of dollars, except for per share data)

	1976	December 31	March 31	June 30	September 30	Total
Revenues		\$115,736	\$139,502	\$148,671	\$179,987	\$583,896
Costs and expenses		94,567	105,473	112,806	130,851	443,697
Income before taxes on income		21,169	34,029	35,865	49,136	140,199
Net income		11,169	18,029	18,865	26,536	74,599
Earnings per common and common equivalent share36	.58	.61	.86	2.41
	1975					
Revenues		90,771	120,197	136,130	172,908	520,006
Costs and expenses		77,556	93,071	106,659	126,979	404,265
Income before taxes on income		13,215	27,126	29,471	45,929	115,741
Net income		7,140	14,201	15,671	24,729	61,741
Earnings per common and common equivalent share23	.46	.51	.80	2.00

FIVE YEAR REVIEW

(In thousands of dollars, except for per share data)

Summary of Operations by Lines of Business

	1976	1975	1974	1973	1972
REVENUES					
Entertainment and recreational activities	\$378,197	\$337,073	\$282,425	\$261,514	\$223,416
Film rentals	119,133	112,528	90,390	76,159	70,765
Consumer products and other	86,566	70,405	57,074	47,392	35,256
Total revenues	<u>583,896</u>	<u>520,006</u>	<u>429,889</u>	<u>385,065</u>	<u>329,437</u>
COSTS AND EXPENSES OF OPERATIONS					
Entertainment and recreational activities	305,298	272,953	236,517	211,883	185,618
Film rentals	61,261	55,892	44,575	40,163	35,107
Consumer products and other	57,052	48,742	35,196	27,789	19,285
Total costs and expenses of operations	<u>423,611</u>	<u>377,587</u>	<u>316,288</u>	<u>279,835</u>	<u>240,010</u>
OPERATING INCOME BEFORE CORPORATE EXPENSES					
Entertainment and recreational activities	72,899	64,120	45,908	49,631	37,798
Film rentals	57,872	56,636	45,815	35,996	35,658
Consumer products and other	29,514	21,663	21,878	19,603	15,971
Total operating income before corporate expenses	<u>160,285</u>	<u>142,419</u>	<u>113,601</u>	<u>105,230</u>	<u>89,427</u>
CORPORATE EXPENSES					
General and administrative	20,474	17,321	16,079	15,224	13,219
Projects and preliminary concepts abandoned	3,182	6,702	1,285		
Interest (income) expense—net	(3,570)	2,655	7,266	4,262	1,815
Total corporate expenses	<u>20,086</u>	<u>26,678</u>	<u>24,630</u>	<u>19,486</u>	<u>15,034</u>
INCOME BEFORE TAXES ON INCOME					
Taxes on income	140,199	115,741	88,971	85,744	74,393
	<u>65,600</u>	<u>54,000</u>	<u>40,444</u>	<u>37,716</u>	<u>34,100</u>
NET INCOME					
Earnings per share*	<u>\$ 2.41</u>	<u>\$ 2.00</u>	<u>\$ 1.58</u>	<u>\$ 1.57</u>	<u>\$ 1.35</u>
Cash dividends per share	<u>\$.12</u>	<u>\$.12</u>	<u>\$.12</u>	<u>\$.12</u>	<u>\$.10</u>

Financial Position

Current assets	\$195,876	\$125,374	\$101,083	\$ 78,451	\$ 67,268
Less current liabilities	81,720	74,018	58,843	68,450	52,720
Working capital	114,156	51,356	42,240	10,001	14,548
Entertainment attractions and facilities	496,061	506,385	480,630	453,747	444,610
Other assets	181,988	150,907	169,826	155,089	105,361
Less other liabilities	792,205	708,648	692,696	618,837	564,519
Stockholders equity	99,823	89,905	132,525	104,897	96,666
Stockholders equity per share	<u>\$692,382</u>	<u>\$618,743</u>	<u>\$560,171</u>	<u>\$513,940</u>	<u>\$467,853</u>
Average number of common and common equivalent shares outstanding during the year	<u>\$22.33</u>	<u>\$20.04</u>	<u>\$18.27</u>	<u>\$16.77</u>	<u>\$15.68</u>
	<u>31,009</u>	<u>30,874</u>	<u>30,658</u>	<u>30,650</u>	<u>29,829</u>

*See summary of significant accounting policies.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE SUMMARY OF OPERATIONS

The following information is presented to assist in an understanding and evaluation of the material periodic changes in the various items on the Summary of Operations. Reference should also be made to discussion of the various aspects of the Company's business and to statistical data set forth elsewhere in this Report and to the section on the Summary of Significant Accounting Policies.

CONSUMER PRODUCTS AND OTHER

Revenues and Costs and Expenses in both 1976 and 1975 increased due to expanded operations in character merchandising, publications and educational materials, and in 1976 as a result of the first full year's operation of The Village shopping complex in Lake Buena Vista, Florida. Revenues from record and music operations rebounded strongly in 1976 from the recession-impacted levels of 1975, a decline which adversely affected operating income in the Consumer Products Group during 1975 as compared to 1974. During the year, both revenues and expenses from the Walt Disney Distributing Company declined from 1975 due to a change in the Company's operating policy, under which items of character merchandise formerly manufactured for the Company's account and distributed to third parties by the Company, will now be manufactured under regular character merchandise licensing agreements.

ENTERTAINMENT AND RECREATIONAL ACTIVITIES

Revenues and Operating Income (before corporate expenses) increased in 1976 over 1975 due primarily to increased attendance, per capita spending, and lodging revenues. Price increases averaging 11% at Walt Disney World and 8% at Disneyland were effected in December, 1975 and June, 1976, respectively. Gross profit margins in food and merchandise improved at both Walt Disney World and Disneyland, while operating margins were maintained. Almost 50% of the total increase in theme park costs and expenses represented additional labor costs, divided equally between normal increases in union labor rates and additional labor man-hours. The increase in labor man-hours was caused in part by the first full year's operation of new Tomorrowland attractions at Walt Disney World which opened in January, 1975 and operating costs for "America on Parade," staged in both theme parks from June, 1975 to September, 1976. Costs of materials and services, depreciation and utility costs were all factors contributing to increased costs of operation.

During 1975, attendance and revenues at both Disneyland and Walt Disney World increased over 1974, when tourism was adversely affected by public concern regarding the availability of gasoline.

FILM RENTALS

Worldwide Revenues and Operating Income increased in 1976 over 1975 due to record foreign theatrical rentals and worldwide television revenues. Domestic theatrical film rentals declined 1.1%. Domestic television film rentals increased in 1976 over 1975, due primarily to the broadcast of additional theatrical films on both Saturday and Sunday nights, and additional revenues from the re-syndication of "The Mickey Mouse Club." Costs and Expenses in 1976 and 1975 increased primarily as a result of increased amortization and distribution expenses, particularly foreign theatrical distribution expenses in 1976. Revenues and Operating Income increased in 1975 and 1974 due to increased worldwide theatrical film distribution resulting from both continuing public acceptance of the Company's films and increased marketing efforts.

INTEREST (INCOME) EXPENSE—NET

During 1976, the Company realized greater interest income from short-term investments and interest expense was substantially reduced. Interest expense in 1975 is attributable primarily to long-term bank debt which was prepaid in July, 1975. In 1974, interest expense is represented by both long-term debt and a revolving bank loan that was paid in July, 1974.

TAXES ON INCOME

A full explanation of the provisions for taxes on income for 1976 and 1975 is given in Note 2 of Notes to Consolidated Financial Statements.

PARENT COMPANY

WALT DISNEY PRODUCTIONS
 500 S. Buena Vista Street, Burbank, California
*Produces motion pictures for theatrical and television distribution
 —operates Disneyland Park—conducts ancillary activities.*

PRINCIPAL SUBSIDIARIES**BUENA VISTA DISTRIBUTION CO., INC.**

Irving H. Ludwig—President
Distributes, syndicates and sells domestically the product of Walt Disney Productions, including 35mm theatrical film, television shows and records and albums.

BUENA VISTA INTERNATIONAL, INC.

Harold P. Archinal—President
Supervises the distribution of Walt Disney Productions' 35mm theatrical film, 16mm film and television shows in foreign countries except the Western Hemisphere.

CELEBRITIES, INC.

Richard A. Nunis—President
Operates Celebrity Sports Center

WALT DISNEY MUSIC COMPANY

E. Cardon Walker—Chairman of the Board
 Merrill C. Dean—Vice President—General Manager
Music Publishing—ASCAP affiliate.

WONDERLAND MUSIC COMPANY, INC.

E. Cardon Walker—Chairman of the Board
 Merrill C. Dean—Vice President—General Manager
Music Publishing—BMI affiliate.

WALT DISNEY EDUCATIONAL MEDIA COMPANY

E. Cardon Walker—President
 James P. Jimirro—Executive Vice President
Distributor—16mm film, audio-visual educational materials and 8mm home movies.

WALT DISNEY WORLD CO

Donn B. Tatum—Chairman of the Board
 E. Cardon Walker—President
 Richard A. Nunis—Executive Vice President
 Robert C. Allen—Vice President—Resorts and Chairman,
Operating Committee

James P. Armstrong—Vice President—Food

Carl G. Bongirno—Vice President—Treasurer

Edward B. Crowell—Vice President—Facilities

Robert F. Jani—Vice President—Entertainment

Jack B. Lindquist—Vice President—Marketing

Robert K. Matheson—Vice President—Operations

James P. Passilla—Vice President—Employee Relations

Howard Roland—Vice President—Construction Contract
Administration and Purchasing

Philip N. Smith—Vice President—Legal and Secretary
 Charles Ray Maxwell—Controller
Operates Walt Disney World

WALT DISNEY TRAVEL CO., INC.

Jack B. Lindquist—President

Markets wholesale and retail tour packages.

LAKE BUENA VISTA COMMUNITIES, INC.

E. Cardon Walker—President

Owns the community of Lake Buena Vista, operates the Village, and leases townhouses, residences and hotel sites.

VISTA COMMUNICATIONS, INC.

A partner in Vista-Florida Telephone System, of which
 the following are officers:

Michael L. Bagnall—Chairman of Management Committee

Judson W. Perkins—General Manager

*The Partnership operates telephone and related
 communications systems.*

CORPORATE OFFICERS

Donn B. Tatum
Chairman of the Board

E. Cardon Walker
President

Michael L. Bagnall
Vice President—Finance

Barton K. Boyd
Vice President—Retail Merchandising

Ronald J. Cayo
Vice President—Business Affairs

Roy E. Disney
Vice President

Robert W. Gibeaut
Vice President—Studio Operations

Vincent H. Jefferds
Vice President—Marketing—Consumer Products Division

Ronald W. Miller
Vice President—Executive Producer

Richard T. Morrow
Vice President—General Counsel

Richard A. Nunis
Vice President—Operations—Disneyland and Walt Disney World

Howard Roland
*Vice President—Construction Contract Administration
 and Purchasing*

James L. Stewart
Vice President—Corporate Relations

George A. Sullivan
Vice President—Tax Administration

Lawrence E. Tryon
Vice President and Treasurer

Franklin Waldheim
Vice President and Eastern Counsel

Luther R. Marr
Secretary—Legal

Bruce F. Johnson
Controller

Leland L. Kirk
Assistant Secretary-Treasurer

William Allen Jones
Assistant Secretary

Doris A. Smith
Assistant Secretary

Donald A. Escen
Assistant Treasurer and Assistant Controller

Douglas E. Houck
Assistant Controller

Donald E. Tucker
Assistant Controller

STOCK TRANSFER AGENTS

Bank of America, N.T.&S.A., San Francisco

STOCK REGISTRARS

Bank of America, N.T.&S.A., San Francisco

STOCK EXCHANGES

The common stock of the Company is listed for trading on the
 New York and Pacific Stock Exchanges.

INDEPENDENT ACCOUNTANTS

Price Waterhouse & Co., Los Angeles

ANNUAL MEETING OF STOCKHOLDERS

Second Wednesday in February

This report is distributed for the information of stockholders and employees of the Company. It is not to be considered either as a prospectus or circular in connection with the purchase and/or sale of securities nor is it to be considered a part of the proxy soliciting material of the Company for the annual meeting of its stockholders.

A copy of the Company's annual report to the Securities and Exchange Commission (Form 10-K) will be furnished without charge to any stockholder upon written request to the Secretary—Legal, Walt Disney Productions, 500 S. Buena Vista Street, Burbank, California 91521.



Annually, visitors to Walt Disney World consume 4.4 million hamburgers, 3.5 million hot dogs, 4 million ice cream cones, half a million frozen bananas... and 8,700 parents become lost.

Look to the name Walt Disney for the finest in family entertainment.



